

MINISTRY OF INDUSTRY AND TRADE ORGANIZATIONAL REFORM ASSESSMENT STRUCTURE, STRATEGY AND ACTION PLAN

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ABBREVIATIONS AND ACRONYMS

EPRC	Economic Policy Reform and Competitiveness Project
MoIT	Ministry of Industry and Trade
PESSC	Policy, Enterprise, and Stakeholder Service Center
CEO	Chief Executive Officer
FIFTA	Foreign Investment and Foreign Trade Agency
MRPA	Mineral Resources and Petroleum Authority
SME	Small and Medium Enterprise
TP	Trade Policy Positioning, Economic Cooperation, and Compliance Support Department
ELIP	Enterprise and Light Industry Policy Department
GMP	Geology and Mining Policy Department
GS	Government Streamlining Department
CBA	Consumer and Business Affairs Division
ITMRC	International Trade and Market Research Center
EM	Enterprise Mongolia
BOD	Board of Directors
MNCSM	Mongolian National Center for Standardization and Metrology
MONEF	Mongolian Employers Federation
SMART	Specific, Measurable, Achievable, Resourced, and Time-bound
GTZ	German Technische Zusammenarbeit

EXECUTIVE SUMMARY

This report recommends a significantly revised role for the Ministry of Industry and Trade (MoIT) to play in supporting Mongolia's economic growth strategy and prospects.

International trends and best-practices in economic governance indicate that government agencies supporting trade, industry, and enterprise have the potential to create profound competitive advantages to support a country's economic growth prospects.

The structure and approach this report recommends for MoIT has several unique features that should lead to tangible benefits. Features and benefits include:

Features:

- Separates MoIT's policy and enterprise support functions
- Capitalizes on Mongolia's relative macro-economic stability
- Creates Enterprise Mongolia to support small enterprises and a diverse portfolio of high-potential competitive export sectors
- Ensures private sector-driven targeting, selection, and support for high-potential sectors
- Overhauls Mongolia's approach to foreign trade policy creation; creates a Chief Negotiator position and a Trade Consultative Committee
- Focuses on policy supporting all enterprises and sectors
- Creates a one-stop-shop to ease registrations, licenses, and permissions
- Makes use of multiple task-force initiatives
- Creates a service-center for intra and extra-ministerial communications
- Creates a department focused exclusively on government streamlining

Benefits:

- Empowers the private sector to drive Mongolia's economic growth
- Transforms MoIT into a true private-sector partner
- Improves net-economic value of government resource allocations supporting private sector growth and value added
- Reduces the transaction costs businesses face in their government interactions
- Increases public and private sector trust through transparent operations, open communications, and the sustained delivery of services that support a vibrant, diverse, thriving private sector
- Maximize net-economic benefit through fact-based foreign trade policy negotiations
- Ensures that MoIT doesn't fall prey to the pitfalls of politicians and government agencies trying to pick winning economic sectors
- Positions MoIT to assume a leadership role as a facilitator of multiple stakeholders to achieve desired economic growth outcomes
- Positions mineral resource governance as a conduit to more broadly-based economic growth

SECTION I: INTRODUCTION

A. Background

The Ministry of Trade and Industry (MoIT) recently revised its organizational structure. Despite modifications, the ministry continues primarily to play the role of a largely isolated policy-creation body for trade and industrial policy. Two MoIT-affiliated implementing bodies, the Mineral Resources and Petroleum Authority (MRPA) and the Foreign Investment and Foreign Trade Agency (FIFTA), remain the primary institutions responsible for MoIT-related implementation activities.

The recent MoIT organizational modifications slightly altered—but did not profoundly modify or improve—the scope or nature of the ministry’s work. Select ministry leaders feel that modifications have not gone far enough to transform the ministry and to maximize its potential for positive impact on the economy as a whole and on the private sector in particular.

B. Objective

The objective of this report—and of the consultancy leading up to this report—is to assist MoIT in defining its optimal roles and functions. The assessment also maps out an action plan to complete the desired ministerial transformation into an organization that has a profound positive impact on Mongolia’s economic growth.

C. Rationale of recommended reform approach

Successful transformation requires a conversion of the ministry into a true and impartial private sector partner. With Mongolia’s commitment to a market economy, and to development through increased private sector activity and investment, the role of MoIT should increasingly shift to that of a powerful facilitator of *private-sector led* economic growth. Full effectiveness in this role, should the ministry choose to embrace it, requires that MoIT ultimately shape and support approaches and decisions taken by myriad stakeholders, including its own directorates, other government agencies, private sector associations and companies, and civil society organizations. It also requires a consistent ‘hands-off’ government approach, with MoIT becoming much more proactive than in the past at establishing, maintaining, and continually upgrading an enabling environment that facilitates business operations, encourages diversified export competitiveness, attracts investment, and generates employment.

The action plan for reforms begins with the ministry first reforming its current operations. This is crucial as it would ensure that ministry personnel understanding and embrace the nuances of a ‘hands-off’ yet increasingly proactive approach to governance before reaching out to a broad group of diverse stakeholders.

D. Report organization

The remainder of this report is divided into three sections. The first, *Foundations of a re-organized Ministry of Industry and Trade* (Section II), presents options for the ministry’s vision and mission, suggests five core ministerial objectives, and describes the philosophy behind the recommended revisions to MoIT’s organizational structure. The second, *proposed organizational structure* (Section III) outlines a recommended structure for the ministry to best pursue its mission and vision. The primary feature of this recommended

organizational structure is the division of the ministry into two separate directorates, called pillars throughout this report. This section then describes each pillar (directorate), as well as each of the recommended departments and divisions within each pillar. The third section, *Implementation action plan* (Section IV), presents an action plan divided into three overlapping, semi-discrete phases. This action plan spells out clear steps for the ministry to transform itself as envisioned in this assessment. Each step is detailed with clear objectives, resources required to achieve stated objectives, and required outputs.

SECTION II: FOUNDATIONS OF A RE-ORGANIZED MoIT

A. Vision¹

The following are three options for MoIT's vision:

Become the government agency responsible for Mongolia's exceptional levels of economic growth, employment creation, and per-capita prosperity; or,

Facilitate 10% annual economic growth for the next 10 years; or,

Become the facilitator and impartial partner of Mongolia's private-sector-led, export driven growth.

B. Mission²

The following are three options for MoIT's mission:

To create an improved legal and business environment for production, trade and mining industries and to increase growth of the mentioned industries³; or

Serve as the private-sector's government partner, creating a highly conducive environment for private-sector-led, export driven economic growth; or,

Create a policy environment conducive of private sector led growth; support the export competitiveness of a diverse portfolio of sectors and enterprises.

C. Objectives

Create an environment for private sector competition and support enterprise and employment growth

- Leverage mineral resource wealth to promote broad-based economic growth
- Facilitate ever – increasing investment and value-added production and services
- Negotiate trade policy that enables increased exports
- Establish MoIT as a highly effective organization and a center of government excellence

D. Philosophy of revised organizational structure

The organizational structure proposed below is aggressive. Effective implementation—and the ministry's accomplishment of the above stated vision---would require a transformation of MoIT's management of its economic governance functions. The proposed approach:

¹ Vision is defined as 'a picture of the ideal future' or 'what the organization aspires to become'.

² Mission is defined as 'what the organization was created to do'. For a government agency, the mission is often defined (explicitly or implicitly) by law.

³ MoIT's current mission.

- Positions mineral resource governance as a conduit to more broadly-based economic growth
- Coordinates multiple stakeholders to accomplish economic growth initiatives—with MoIT serving as an enabler, not as a doer
- Systemizes sound, informed policy decisions. This includes:
 - Improving systems and capacities in foreign trade policy negotiation, and focusing on initiatives that maximize the net economic benefit to Mongolia
 - Changing the primary policy formation focus from sector-specific industrial policy to a focus on policies that benefit the business environment as a whole
- Creates public and private sector trust through transparent operations, open communications, and the sustained delivery of citizen-centered results
- Introduces improved mechanisms to enforce ‘resource-realism’ (the alignment of resources with results and the elimination of commitments to excessive or unattainable outputs and outcomes)
- Creates further separation between policy and implementation, core and non-core government functions
- Takes a strictly business approach to supporting Mongolian enterprises, by:
 - Quarantining the government’s role in non core-government functions
 - Creating fair and transparent rules to govern business competition
 - Allowing the private sector to drive Mongolia’s economic growth

The ultimate benefit of this approach is that it would capitalize on Mongolia’s relative macro-economic stability and create a sustained upward thrust for the country’s economic growth prospects. Success, however, is highly contingent on sound implementation. This would require strict discipline in maintaining the ministry’s focus on core objectives and activities, on matching resources with results, on training and retaining qualified personnel, on strengthening institutional systems, and on curtailing the ministry’s current tendency to over-extend its reach. Finally, and perhaps most importantly, success would require a rigorous effort to understand and integrate the principles of international government best-practices at all levels of the ministry---including a genuine commitment to ongoing improvement at all levels, at all times. Without this, the ministry’s improved organizational structure will not achieve the desired result.

SECTION III: PROPOSED ORGANIZATIONAL STRUCTURE

The proposed structure is divided into pillars (directorates), departments and divisions.

A. Pillars

Under the proposed organizational structure, two primary pillars drive the ministry:

- Policy pillar
- Enterprise Support pillar

The Policy, Enterprise, and Stakeholder Service Center (PESSC) provides a bridge between the Policy and Enterprise Support pillars through various value added functions.

Chart A1. Overview of Proposed MoIT Structure

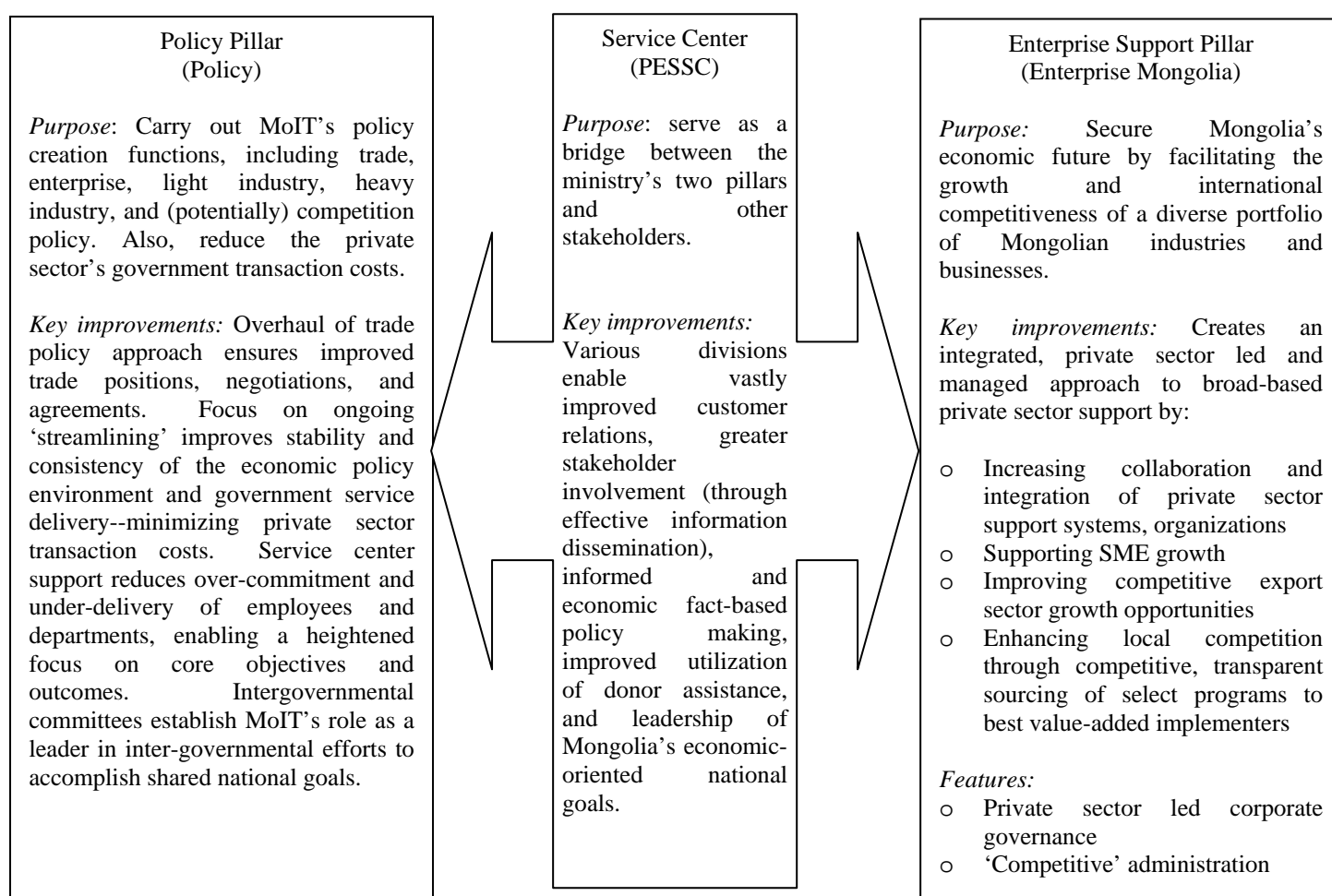


Chart A2. Proposed Organizational chart

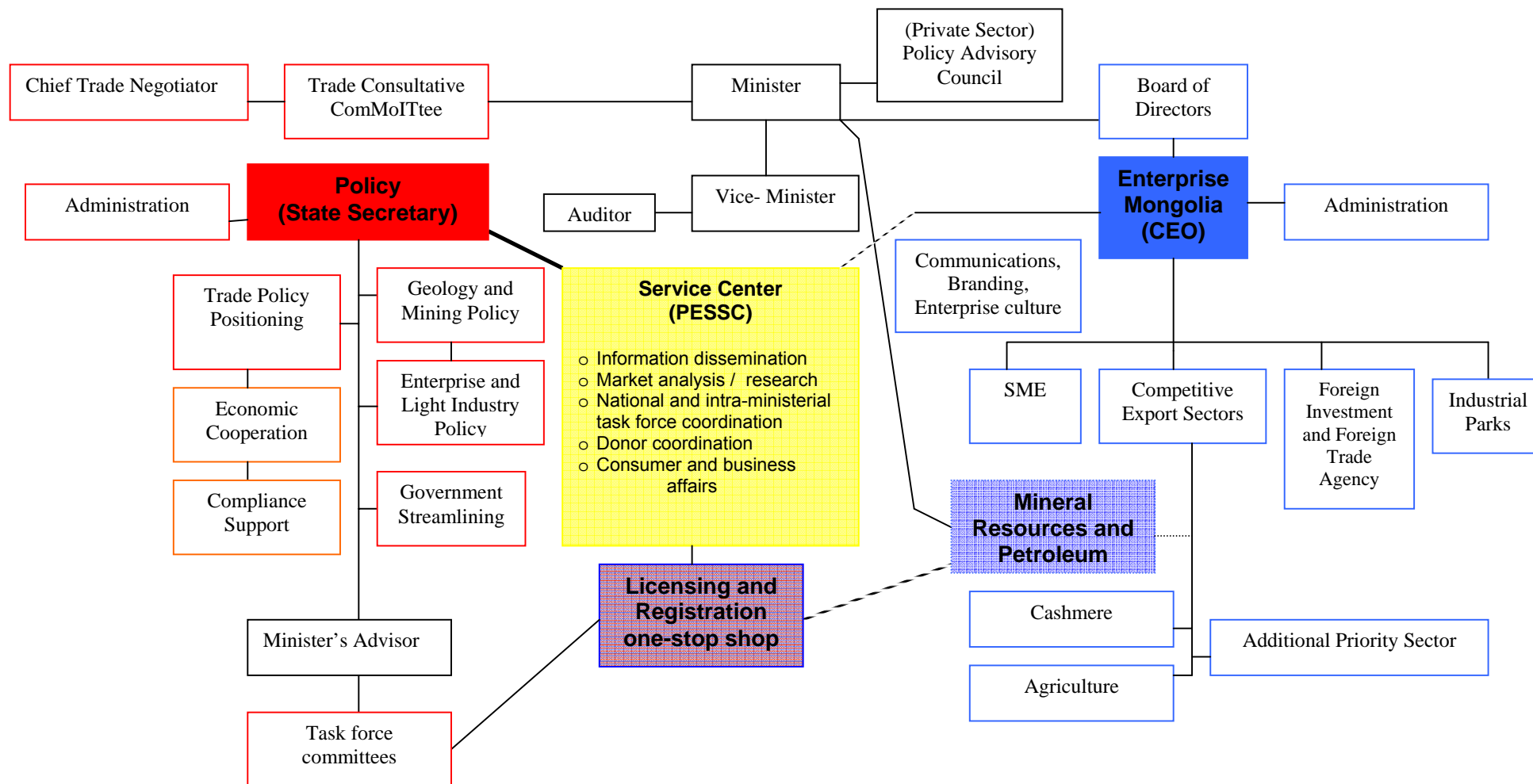


Chart A3. Proposed department objectives, improvements and changes⁴

Note: Institutions shaded grey below represent the ministry's two proposed pillars (directorates) and the Service Center. Departments and divisions of the ministry are described under their respective pillars.

Policy Pillar			
MoIT Institution	Main objective	Primary change-improvement recommendation	Removed activities
Policy Directorate (Policy Pillar)	Create a business-friendly policy environment for private sector led economic growth.	Greater separation from implementation activities. Reinvention of policy creation focal areas approaches. Greatly improved stakeholder outreach (through the service center).	Various—see individual departments.
Trade Consultative Committee (oversight body)	Serve as Mongolia's top-level trade policy decision making body; guide Mongolia's foreign trade policy priorities; ensure consistent, informed trade policy decisions.	The mere creation of this department would improve foreign trade policy negotiations and improve parliamentary buy-in to agreements negotiated.	None—new institution
Office of Chief Trade Negotiator	Lead all Mongolian foreign trade agreement Negotiations.	The creation of this position/office would ensure that an experienced negotiator, with a view of the 'big-picture', represents Mongolia at all trade negotiations. Over time, this would significantly improve the net-economic value of trade agreements to the Mongolian private sector.	None—new institution
(Private Sector) Policy Advisory Council	Provide private sector feedback to the minister on policy decisions.	This newly created body exists and should continue; however, as the ministry achieves greater public outreach this committee should expand to avoid possible rent-seeking.	None—relatively new institution
Trade Policy Positioning, Economic Cooperation, Compliance Support Department	Formulate trade policy positions based on net economic value for Mongolia.	Trade Consultative Committee Oversight would empower this division's work, as would the Chief Trade Negotiator office and the Policy and Enterprise Support Service Center's (PESSC) Research Center. The revised structure of this department should also ensure improved staff retention and development.	Non-core trade responsibilities such as Development of FTA and free trade zones, organization of wholesale network, improvement of supply of consumer goods.

⁴ The two primary pillars (Policy and Enterprise Support) and the 'support-pillar' Service Center are shaded in grey to distinguish these primary (recommended) divisions of the ministry.

Enterprise and Light Industry Policy Department	Formulate policies to support a thriving and competitive environment for Mongolian enterprises.	Shift from primarily a sector-specific focus to a primary a focus on an enabling-environment for all Mongolian businesses. Focal points of policy priorities determined more directly by the private sector.	Policy implementation activities, organization and coordination of the SME development programs, introduction of new technology and equipment. Primarily sector-specific policy focus.
Geology and Mining Policy Department	Create mining policy which maximizes government revenue over time, encourages greater local value added, and contributes to the cross-sector diversification of Mongolia's export-competitive sectors.	A focus on one specific MoIT objective: Leveraging mineral resource wealth to promote broad-based economic growth	Introduction of new technology, promotion of foreign investment into the sector. Licensing activities.
Government Streamlining Department	Reduce the transaction costs that private enterprises face in their interactions with government.	Firmly establish MoIT's role as a partner of the private sector and a champion of government improvement. Separate this responsibility from other departments—freeing them up while creating more visibility for this objective.	None—new department.
Auditor General	Ensure the transparency and accountability of all MoIT departments and directorates.	The creation of this department should ensure greater resource accountability across MoIT—particularly vital in this proposed organizational structure	None—new role.
Administration Department	Carry out operational and administrative functions to support day-to-day operations of MoIT's policy pillar.	Significantly strengthen administrative and operational functions, including human resource policies, monitoring and evaluation, employee welfare, etc. Significantly improve implementation.	Strategic planning and information technology functions.

Policy and Enterprise Support Service Center (PESSC) Institutions			
MoIT institution	Main objective	Primary change-improvement recommendation	Removed activities
PESSC Service Center (Support to Policy and Enterprise Support Pillars)	Serve as a bridge between the ministry's two pillars and other stakeholders.	The creation of this department would significantly enhance MoIT's customer service and overall ability to facilitate private-sector-led economic growth.	None—new department.
Consumer and Business Affairs	Ensure that citizens, the private sector, and other public sector entities have a voice in how the ministry serves them.	The creation of this division would provide a one-stop shop for consumers, businesses, and others to be heard.	None—new division.
Information Dissemination and Knowledge Management (Information Dissemination)	Improve cross departmental and government communications and ensure that the ministry's managers have the knowledge necessary for highly informed decision making.	This division would ensure more effective information capture and dissemination throughout MoIT's departments and with MoIT's stakeholders. Ultimately, it will provide knowledge services that transform MoIT into a learning organization.	None—new division. Information technology/computer personnel currently housed in MoIT's administration department would transfer to this division of PESSC.
International Trade and Market Research Center	Provide statistical and economic analysis to support fact-based, net-societal value decision making for MoIT's TP, GMP, and ELIP divisions.	This division would ensure that sound economic analysis supports MoIT decision making.	None—new division.
National and Intra-ministerial Goals; Donor Coordination	Coordinate MoIT's commitments to national (and select intra-ministerial) goals; coordinate donor projects and initiatives supporting MoIT to ensure maximum utility of donor support	This division, over time, would solidify MoIT's position as the business partner/advocate in government—and would establish the ministry as the government leader on issues of economic growth.	None—new division.

Enterprise Mongolia			
MoIT institution	Main objective	Primary change-improvement recommendation	Removed activities
Enterprise Mongolia	Serve as the one-stop-shop to support Mongolian businesses of all types to grow, improve their capability, become internationally competitive, attract investment, achieve profitability, and create employment.	EM's existence and governance structure position the Mongolian private sector as drivers of a diverse economy and broad-based economic growth. Government agencies playing a role in economic growth would work with EM and become facilitators, rather than drivers, of economic activity. An explicit focus on supporting SMEs, and on leveraging mineral resource wealth to diversify competitive export sectors, would benefit Mongolia greatly in the medium-long term.	None-new institution
Board of Directors Enterprise Mongolia	The BOD for Enterprise Mongolia would direct EM's CEO in his leadership of Enterprise Mongolia.	This BOD will ensure a purely private-sector driven approach to supporting Mongolian enterprises, further removing politics and government inefficiencies from the export competitiveness 'driver's seat', and placing this function where it belongs—in private sector hands.	None---new institution.
Competitive Export Sectors	Support the diversification of Mongolia's economy by identifying and promoting high-potential export sectors.	A systematized, private-sector led approach to identifying and supporting multiple high-potential sectors would diversify Mongolia's economy and minimize dependency on mineral resources.	None---new institution.
Foreign Investment and Foreign Trade Agency (FIFTA)	Promote increased foreign and domestic direct investment and increase Mongolian exports.	Integration into EM should improve investment and export promotion efforts—i.e. by tying mineral investment promotion efforts to the promotion of other sectors.	None.
Industrial Parks	Manage operation of Mongolia's industrial parks.	Taking this out of the Policy pillar and putting it into EM creates greater separation between policy formation and implementation.	None—though unless a strong net-economic-benefit can be made for industrial parks, MoIT may wish to eventual phase them out.
Communications, Branding, Enterprise Culture (Communications)	Communicate opportunities of Enterprise Mongolia to the private sector, encourage entrepreneurship, brand select Mongolian products, and publicize citizen-centered, transparent annual reports for the ministry's	This department would ensure that Mongolia's businesses are aware of the services and opportunities provided by Enterprise Mongolia. It would also work to build a value-added brand for Mongolian products—both as a whole and in select sectors. Lastly, it would promote a	None---new institution.

	Policy and Enterprise Support pillars.	culture of entrepreneurship in Mongolia, supporting entrepreneurially oriented Mongolians to pursue their ideas and create innovative goods and services.	
Mineral Resources and Petroleum Authority	Compile information on Mongolian mining and petroleum industries, conduct geological surveys and research, and archive geological data.	Integration into Enterprise Mongolia, with the explicit objective of leveraging Mongolia's mineral resource wealth to promote broad-based economic growth, should impact MRPA decision making---ultimately turning mineral resource governance into the cash-generator for Enterprise Mongolia.	Direct control of mineral licensing to allow for a fully accountable one-stop-shop for economic oriented licenses. This would reduce private sector transaction costs, and ultimately, increase government licensing revenue.
Small and Medium Enterprise (SME) department.	Support Mongolia's small and medium enterprises to prosper.	SMEs are engines of economic growth, leaders in product and service diversification, and generators of employment. SMEs are crucial to Mongolia's economy and require special support to ensure that they have every opportunity to prosper.	None---new institution. SME policy development would remain in the Policy Pillar's ELIP department. This SME department in Enterprise Mongolia would provide direct support to SMEs.
Licensing and Registration one-stop shop	Create a private sector managed one-stop shop for government licenses, registrations, and permissions.	This one-stop-shop would significantly streamline government approval procedures and timelines, reduce business transaction costs, improve government oversight, improve revenue collection and increase revenues, and increase transparency.	None---new institution. However, licenses, registrations, and permissions would largely be removed from policy (and other implementation) bodies, freeing them up to focus on their core competencies. This separates operational procedures behind filling out required forms for licenses, registrations, and permissions (a business function best handled by the private sector) from actual approvals (a true government function).
Administration	The administration department would handle day-to-day operational responsibilities of running Enterprise Mongolia.	As a quasi-governmental organization, EM's administration would not be bound by civil service regulations and constraints. This allows EM's CEO the flexibility necessary to pay, promote, and manage EM as he/she best sees fit. This should improve EM's overall performance.	None---new institution.

A5. Explanation of core institutions

The Policy Pillar

The Policy Pillar would support the ministry's following objectives:

- Create a conducive environment for private sector competition⁵
- Negotiate trade policy that enables increased exports
- Leverage mineral resource wealth to promote broad-based economic growth
- Institutionalize management systems and practices that transform MoIT into a center of government excellence

Primary Institutions

Policy Directorate

Trade Consultative Committee

Office of the Chief Trade Negotiator

(Private Sector) Policy Advisory Council

Policy Directorate (Pillar)

Main objective: Create a business-friendly policy environment for private sector led economic growth.

The Policy directorate, headed by MoIT's State Secretary, would carry out all ministerial functions related to trade and enterprise policy, economic cooperation, and the creation of a business-friendly environment for private sector led economic growth. Fundamental functions of this department remain similar to functions of the current MoIT, though recommended revisions to departmental approaches, coupled with surrounding support institutions, would profoundly improve MoIT's overall ability to accomplish its mission and achieve its proposed vision.

Trade Consultative Committee

Main objective: Guide Mongolia's foreign trade policy priorities.

The Trade Consultative Committee would serve as Mongolia's top level trade policy decision-making body. The committee would be chaired (ideally) by the Prime Minister, Vice-chaired by the Minister of Industry and Trade (who would have full authority in the chairman's absence), and managed by MoIT's Secretary General and/or the Director of the Trade Policy Department. The committee would also have at least one parliamentarian (to ease passage of negotiated agreements). Additionally, depending on the at-hand trade negotiations for which the committee is convened, additional representatives from appropriate private sector associations and/or government agencies would be asked to sit in on committee meetings. The Director of the Trade Policy Department would hold primary responsibility for determining and inviting participants to committee meetings based on the agenda at hand. The sole function of this committee would be to guide the Chief Trade Negotiator in his/her negotiations on multi-lateral, regional, and bi-lateral trade negotiations.

⁵ Technically this is the first-half of MoIT's proposed objective of 'creating an environment for private sector competition and support enterprise and employment growth'.

Office of the Chief Trade Negotiator

Main objective: Lead all Mongolian foreign trade agreement negotiations.

The Office of the Chief Trade Negotiator would consist of one individual⁶---who would work very closely with Trade Policy Positioning, Economic Cooperation, and Compliance Support unit. This individual would represent Mongolia at all international trade-related negotiations, serving as chief negotiator. He/she would receive policy guidance from the Policy Consultative Committee, and would be a member of this committee. He/she would be responsible for delivering trade agreements that maximize net economic benefit for Mongolia in its ongoing trade negotiations, while maintaining consistency of rules and regulations to reduce transaction costs and increase opportunities for Mongolian exporters. It is essential that the Chief Trade Negotiator be a well-paid, non-partisan position in order to ensure consistency over time. This office is located outside of MoIT's policy pillar, and reports directly to the Trade Consultative Committee.

(Private Sector) Policy Advisory Council

Main objective: Provide private sector feedback to the minister on policy decisions.

This recently created council serves as a valuable private sector voice to support the minister in decision making. Such a body should continue as a formal private sector voice to influence the ministry's policy decision making. Once PESSC is fully operational, it should expand the outreach of this advisory council to ensure all stakeholders have a voice. This would also reduce the possibility of this council being used for rent-seeking.

Departments

Trade Policy Positioning, Economic Cooperation, and Compliance Support (TP)

Enterprise and Light Industry Policy (ELIP)

Geology and Mining Policy Department (GMP)

Government Streamlining (GS)

Office of the Auditor General

Administration

Trade Policy Positioning, Economic Cooperation, and Compliance Support (TP)

Main objective: Formulate and implement trade policy positions based on net economic value for Mongolia.

This department would do the net economic benefit analysis that would drive Mongolia's positions on trade policy negotiations. It would also implement initiatives that follow-up on trade negotiations, ensuring that Mongolia remains in compliance with its trade related agreements. While this department would also handle domestic trade policy, the primary focus would be formulating stances for multilateral negotiations, particularly the World Trade Organization (WTO).

Economic Cooperation and Compliance Support responsibilities would also fall under this department, albeit as a separate units. This clearer division of roles would serve to highlight the resource gap between the required workload and available qualified staff for effective multilateral negotiating positions.

⁶ Perhaps with the addition of an administrative assistant.

This department would work closely with the chief negotiator. The director of TP would serve as the stand-in chief negotiator when circumstances necessitate this, as would the State Secretary. Ultimate leadership would come from the Trade Consultative Committee. TP would also benefit greatly from its relationship with the International Trade and Competition Market Research department, which would provide grounded economic research to ensure informed policy negotiating stances. Various divisions of the Policy, Enterprise, and Stakeholder Service Center (PESSC) would ensure that TP decisions are well informed by Mongolian private sector stakeholders.

Ideally, TP human resource policies would be structured to recruit high-caliber employees, with appropriate incentives to retain top performers. New recruits to the department would enter the compliance support division and then work their way up through the subdivisions, learning every aspect of the trade policy business and responding to competitive (and other) incentives that would ensure that highly capable and qualified personnel stay with the department—perhaps rising all the way up to the position of Chief Trade Negotiator, a highly prestigious position full access to the Prime Minister.

Enterprise and Light Industry Policy (ELIP)

Main objective: Formulate policies to support a thriving and competitive environment for enterprises.

The ELIP department represents a re-incarnation of the current industrial policy division. This division currently supports a portfolio of light industries, SMEs, and limited service-sectors through largely sector-specific policies—managed by individual sector-specialists responsible for a discrete portfolio of sectors targeted as priorities by the new government. This assessment recommends that ELIP broaden its reach and take a revised approach. ELIP should focus primarily on identifying and developing cross-sector policies benefiting the enterprise environment as a whole, becoming a facilitator of multiple stakeholders (i.e. associations, research institutions, and other government agencies—including those ministries and agencies handling specific sectors such as agriculture, construction, transportation, tourism, etc) to establish enterprise policy. This revised approach would also include ELIP spearheading policies that improve the business environment for service sectors. Services appear somewhat overlooked under the current system but stand to play an increasing role in Mongolia's development and export competitiveness.

The areas in which ELIP proposes sector specific policy should be limited to those identified as priority competitive export sectors by Enterprise Mongolia.

This would allow the private sector to drive trends and determine emerging (and waning) competitive opportunities—more effectively removing politics from the process of picking policy focal points and winning economic sectors—a role in which government usually fails. Functionally, ELIP may wish to consider adopting a thematic (instead of industry specific) approach, with teams of employees identifying and acting on light-industry policy, service-sector policy, tax policy, SME policy, industrial zone policy, competitive export sector policy, etc.

ELIP would collaborate closely with Enterprise Mongolia, whose activities, priorities, and needs would largely drive the focus of economic policy.

ELIP would also coordinate closely with Trade Policy to ensure maximum export potential for high-potential sectors, and with the PESSC's Information Dissemination and National and Intra-ministerial Goals divisions. This would ensure effective, transparent, information-technology backed communication with a broader and more diverse group of stakeholders than are typically consulted in the current sector-based system-which, to our understandings relies primarily on individual relationships with select associations. This is especially necessary should ELIP adopt the recommended thematic approach to cross-sector, enterprise environment policy.

Finally, ELIP should also coordinate with the newly established Unfair Competition Monitoring Agency in the Deputy Prime-Ministry's office. Should this bureau not receive funding or become sufficiently active, ELIP may wish to seek renewed control of competition policy.

Geology and Mining Policy Department (GMP)

Main objective: Create mining policy that maximizes government revenue over time, encourages greater local value added, and contributes to the cross-sector diversification of Mongolia's export-competitive sectors.

Under the new organizational structure, the objective and responsibilities of the Geology and Mining Policy would remain largely the same. However, geology, mining, and petroleum sector governance (both GMP and the Mineral Resource and Petroleum Authority (MRPA) would assume greater responsibility for supporting broad-based economic growth. This would include creating policies that encourage greater local private-sector initiative in providing value-added support to larger-scale resource extraction industries. A focus of GMP should be how policy can best leverage Mongolia's mineral wealth to create a well-balanced export regime, guarding the economy against exogenous economic shocks.

To achieve this, GMP would coordinate, as they do now, with the MRPA. However, EM would now play an active role in the collaboration between these institutions.

Government Streamlining (GS)

Main objective: Reduce the transaction costs that private enterprises face in their interactions with government.

GS would eliminate the bureaucratic constraints faced by Mongolia's key economic sectors. This would include streamlining and eliminating unnecessary licensing and approvals, reducing barriers to entry (capital requirements, excessive registration requirements, etc.), and generally acting on feedback from the ministry's clients to ensure continued improvement and value added.

GS would coordinate closely with PESSC's Consumer and Business Affairs and National and Intra-Ministerial Goals divisions and the SME, Competitive Export, and Communications departments of Enterprise Mongolia.

Office of the Auditor General

Main objective: Ensure the transparency and accountability of all MoIT departments and directorates.

The Auditor General would carry out internal audits of the organization to gauge performance against pre-determined outputs and outcomes, to ensure financial transparency, and to ensure that public resources are accounted for transparently. The Auditor General would report to the Vice-Minister's office.

Administration

Main objective: Carry out operational and administrative functions to support day-to-day operations of MoIT's policy pillar.

The administration department would carry out functions essential to running the ministry's policy pillar, as it is currently doing. This would include human resources, monitoring and evaluation, information technology support, etc. The Administration department for the Policy pillar would be separate from the administration department of Enterprise Mongolia.

Support Pillar

Policy, Enterprise, and Stakeholder Service Center (PESSC)

For the ministry to achieve its ambitious objectives, it must become a facilitator of multiple stakeholders to achieve desired economic outcomes. Effective internal, inter-governmental, and private sector partnerships are essential. The Policy and Enterprise Coordination Department (PESSC) would broker these partnerships, using information technology for highly effective information dissemination. PESSC would operate as a bridge between the Policy and Enterprise pillars of the ministry, linking MoIT directorates with other government and private sector stakeholders. This would serve multiple ends. Perhaps most importantly, it would insure transparent, well-informed policy decision-making as well as highly effective communication with citizen stakeholders. PESSC would also solicit public and private sector feedback, channeling this information to the Government Streamlining department so that it can reduce bureaucratic bottlenecks and government transaction costs of dealing with government. PESSC would also work with Enterprise Mongolia's Communications department to deliver public messages on improved private sector opportunities and, implicitly, to establish the Ministry's reputation as a center of government excellence.

This assessment recommends dividing the PESSC department into four divisions:

1. *Consumer and Business Affairs (CBA)*
2. *Information Dissemination and Knowledge Management*
3. *International Trade and Market Research Center (ITMRC)*
4. *National and intra-ministerial goals; Donor coordination*

Consumer and Business Affairs (CBA)

Main objective: Ensure that citizens, private sector, and other public sector entities have a voice in how the ministry serves them.

CBA would serve as a consumer hotline for citizens and private sector entities to register their recommendations, concerns, and/or complaints concerning the services, policies, and regulations of the MoIT. CBA would also collect and process customer feedback through customer/stakeholder feedback/perception surveys, mystery-shopper campaigns, and

internal government employee feedback. CBA would be MoIT's primary window for customer-centered, transparent government.

CBA would work closely with the Information Dissemination division for data collection, processing, and dissemination and with the Government Streamlining department, which would assume responsibility for addressing priority areas as identified through the various feedback mechanisms. CBA would coordinate with the Communications Department to ensure that public and private stakeholders are aware of the Ministry's ongoing improvement efforts.

Information dissemination and Knowledge Management
(Information Dissemination)

Main objective: Improve cross departmental and governmental communications; ensure that the ministry's managers have the knowledge necessary for highly informed decision making.

This division would connect the ministry's pillars, departments, and divisions through effective information dissemination. The heightened use of information technology is essential for the full success of this proposed organizational model. Effective information dissemination would ensure that tacit and explicit knowledge is captured and stored--and that the right information is available at the right time for highly informed decisions. The Information Dissemination division would safeguard transparent, informed policy formation by ensuring an accessible voice for government and private sector entities in the policy process. It would facilitate communications with key stakeholders and play a fundamental support role for all of MoIT's departments and divisions.

International Trade and Market Research Center (ITMRC)

Main objective: Provide market research and statistical and economic analysis to support fact-based, net economic value decision making for MoIT's TP, GMP, and ELIP divisions.

ITMRC research would analyze the net economic impact of potential policy decisions, providing policy makers a valuable resource to support their decision making. ITMRC would also service international organizations seeking information on Mongolia's economy. The results of ITMRC research would be open to public input and scrutiny.

ITMRC would work closely with the Trade Policy, ELIP, and GMP departments in the policy pillar.

National and intra-ministerial goals; Donor coordination

Main objective: Coordinate MoIT's commitments to national goals⁷; Ensure maximum utility of donor funded initiatives supporting MoIT objectives.

This division would coordinate MoIT's commitments that involve other government agencies. This would involve serving as a project management shop to ensure that MoIT

⁷ Defined as goals MoIT is committed to achieving in partnership with other institutions. MoIT's 2005 national goal commitments are listed in Annex D.

and its partner government agencies take a systematic approach to fulfilling their commitments in the 2005 and 2004–2008 national plans. This division should also free up MoIT departments, who provide technical input, from the burden of managing these often complex initiatives involving multiple stakeholders. Additionally, this division should ensure that ministry employees are not overwhelmed with responsibilities that excessively inhibit their time availability to perform core functions. Should the State Secretary or Policy-pillar department heads request it, this division could provide a similar service for intra-ministerial (cross departmental) objectives.

Additionally, this division would oversee donor-initiatives supporting MoIT objectives. Oversight would ensure that these projects fit directly into ministerial objectives, and support the ministry's capacity to achieve its objectives over the short, medium, and long-term.

Enterprise Pillar

The Enterprise Pillar, Enterprise Mongolia, supports the ministry's following objectives:

- Support enterprise and employment growth
- Facilitate increased investment and value-added production and services
- Leverage mineral resource wealth to promote broad-based economic growth
- Institutionalize management systems and practices that transform MoIT into a center of government excellence

Primary institutions

Enterprise Mongolia

Board of Directors (BOD), Enterprise Mongolia

Enterprise Mongolia (EM)

Main objective: Serve as the one-stop shop to support Mongolian businesses of all types to grow, improve their capability, become internationally competitive, attract investment, achieve profitability, and create employment.

Enterprise Mongolia would manage MoIT's implementation activities. It would identify Mongolia's global potential and align it with local strategies to develop export sectors. EM's mandate would be to support broad-based economic growth through the ongoing identification and support of high-potential services and industries. EM's corporate governance and operations would be designed to closely resemble those of a private sector corporation. Services that do not provide demonstrable value to private sector entities would be discontinued. New services that provide tangible value would be developed in their place. EM would assist SMEs to improve their competitiveness, and would assist high-potential sectors and firms to improve their export potential.

BOD Enterprise Mongolia (Enterprise Support Institution)

Main objective: The board of directors (BOD) for Enterprise Mongolia would direct the CEO in his leadership of Enterprise Mongolia.

The BOD would be composed completely of individuals from the private sector. The Minister of Industry and Trade would nominate board members, following guidelines to ensure broad representation from Mongolia's core business sectors. Cabinet would approve these nominations. The minister would have the right to accept or reject the BOD's CEO candidate, as well as the right to dismiss the entire Board under extreme circumstances. This recommended governance structure is designed to ensure sufficient government oversight, while ensuring full private sector stewardship of Enterprise Mongolia.

Departments

Mineral Resources and Petroleum Authority

Competitive Sectors

Foreign Investment and Foreign Trade Agency

Small and Medium Enterprise

Industrial Parks

Communications, Branding, Enterprise Culture (Communications)

Licensing and Registration One-Stop Shop

Administration

Mineral Resources and Petroleum Authority

Main objective: Compile information on Mongolian mining and petroleum industries, conduct geological surveys and research, and archive geological data.

The Mineral Resources and Petroleum Authority (MRPA) is currently a largely independent implementation agency. It would remain so in this proposed organizational structure. MRPA would, however, become an integral part of Enterprise Mongolia. Its contribution should feed high potential sectors that extend beyond the mining sector, supporting balanced and integrated Mongolian economic growth. Increased linkages between MRPA, other departments in EM, and PESSC would play a pivotal role in the effectiveness of this proposed organizational structure, and in facilitating broad-based Mongolian economic growth.

To consolidate this integration, it may be beneficial for MRPA to relinquish some functions that could be incorporated into the mandates of other Enterprise Mongolia operating units. This would insure greater dialogue across divisions and more effective integration of mining activities into a holistic approach to supporting economic growth. Functions that MRPA could potentially relinquish (in whole or in part) to other MoIT operating units (with the departments/divisions that could assume them in parenthesis) include:

- Creating a favorable investment climate by continuously monitoring trends in the mineral sector and recommending changes to national programs and policy (FIFTA)
- Licensing and registration activities (Licensing and Registration one-stop shop)
- Conducting research on the impact of the mining industry on Mongolia's social and economic development (ITMRC)
- Notifying relevant government agencies of changes to the mineral license register (Communications)

- Informing the public of changes to the register of mineral licenses (Communications)

Competitive Sectors

Main objective: Support the diversification of Mongolia's economy by identifying and promoting high-potential export sectors.

The competitive export sectors are those areas where Mongolia has export potential. Enterprise Mongolia would provide support to industries in these areas, providing technical advice and improved technologies to support heightened competition and collaboration in the development of each sector. While Enterprise Mongolia's CEO, with guidance from the Board of Directors (BOD), would ultimately select sectors to receive support, we recommend beginning with agriculture, and cashmere—two of Mongolia's most promising industries---in addition to Mining, Geology, and Petroleum. Inter-linkages with the Communications and FIFTA departments would provide further support for Mongolia's key export sectors. Where applicable, relevant government bodies (Ministry of Food and Agriculture for Agriculture, Ministry of Roads, Transportation, and Tourism for Tourism, etc) would also play a role in supporting enterprises relevant to their respective sectors. The Government Streamlining department would provide further support by actively reducing the government transaction costs faced by enterprises in these sectors. The SME department would provide additional support to small enterprises. Services provided to each sector would also be flexible (i.e. not carved in law but decided on by EM's CEO) and could include:

- Industrial capability
- E-marketing support
- Investment promotion
- Export education and promotion
- Business competencies training
- Branding and communications support
- Technology transfer
- Entrepreneurship advocacy
- Innovation support
- Financial underwriting
- Infrastructure support
- Sector-specific services
- Business mentoring
- Business cluster development activities
- Leasing support
- Networking

Foreign Investment and Foreign Trade Agency (FIFTA)

Main objective: Promote increased foreign and domestic direct investment and increase Mongolian exports.

The investment promotion agency (FIFTA), which also handles export promotion, would support Mongolia's competitive sectors to attract investment—both foreign and domestic—and to support the export goods and services. Investment and Export promotion activities would coordinate closely with the economic officers of Mongolia's foreign embassies, as well as with the TP department.

Small and Medium Enterprise (SME)

Main objective: Support Mongolia's small and medium enterprise to prosper.

Enterprise Mongolia's SME department would provide broad based support for Mongolia's SMEs, and would implement the recently passed SME policy. Support would cover an array of factors critical to SMEs throughout the start-up and business life-cycle. Services could include how to qualify for financing, strategic planning, product development, marketing and sales, etc. Linkages to larger companies in Mongolia's competitive sectors would provide SMEs an opportunity to create value-added solutions, increase Mongolia's share of the supply-chain in key sectors, and generate employment. The promotion of an enterprise culture by the Communications department would both encourage entrepreneurship and promote services offered by the SME division. The Government Streamlining department would support SMEs by taking action on issues critical to SMEs—i.e. government transaction costs.

Industrial Parks

Main objective: Manage operation of Mongolia's industrial parks.

This division would manage - or oversee outsourced management of - Mongolia's existing and (potentially) subsequent industrial parks. Ultimately, Enterprise Mongolia's CEO, in consultation with the BOD, would determine whether or not industrial parks are a best-value investment in supporting broad-based growth of Mongolia's private sector

Communications, Branding, Enterprise Culture (Communications)

Main objective: Communicate opportunities of Enterprise Mongolia to the private sector, encourage entrepreneurship, brand Mongolia and (potentially) select Mongolian products, and publicize citizen-centered, transparent annual reports for the ministry's Policy Pillar and for Enterprise Mongolia.

The Communications department, together with PESSC, would firmly establish the ministry as a model of citizen-centered and transparent government. A core responsibility of this department would be to communicate the opportunities and support offered by Enterprise Mongolia. It would also support PESSC to solicit private sector feedback on government policies and regulations under consideration. Further responsibilities could include leading a campaign to encourage entrepreneurial behavior and working on a Mongolian brand for high-quality export products.

Communications would coordinate with all of the Ministry's departments—particularly those in PESSC—as well as other ministries and government agencies. For example, the Mongolian National Center for Standardization and Metrology (MNCSM) would be consulted closely for branding initiatives to ensure that the quality standard of Mongolian products keeps up with brand expectations.

Licensing and Registration one-stop shop

Main objective: Create a private sector managed one-stop shop for licenses, registrations, and permissions required of the private sector to engage in economic activity.

The Licensing and Registration one-stop shop would be managed and run by a private sector company. The private-sector operator would receive a percentage rate for each license or regulation granted. The government offices currently handling these 90+ licenses would maintain the final say. However, outsourcing all of the processes leading up to the actual approval and locating this in a one-stop-shop would create numerous advantages: These include:

- Increased clarity of where to go to learn what licenses and approvals are necessary, how to get said licenses and approvals, and costs
- Business incentives for the one-stop-shop to reduce duplicitous forms and requirements, and to reduce government transaction costs
- Opportunity for the one-stop shop to negotiate decision time-lines of government authorities, thereby putting the onus on government to be responsive to the private sector, as opposed to the other way around
- The opportunity for significantly improved transparency through the facilitated oversight of revenues coming from licensing and registration agencies

Administration

Main objective: The administration department would handle day-to-day operational responsibilities of running Enterprise Mongolia.

Functions of the Administration department would include human capital management, financial management and budgeting, material resource management, information-technology, procurement, etc. As a quasi-governmental institution, Enterprise Mongolia would not be bound by civil-service rules and regulations. This would enable the CEO and Administration Department to create flexible, private-sector management systems.

IID. Job responsibilities (Key positions)

Vice Minister

The primary responsibility of the Vice Minister would be to fill in for the minister as necessary. Other core functions would include:

- Represent MoIT on the Trade Consultative Committee
- Chair, and represent MoIT on MoIT's 5-7 top priority inter-governmental task-force initiatives
- Commission and oversee annual external auditing of the ministry
- Oversee monitoring and evaluation of the Secretary General against results based performance contracts

State Secretary

The State Secretary is responsible for all activities under the Policy Pillar, including the Service Center (PESSC). The State Secretary is ultimately responsible for two MoIT objectives:⁸

- Create an environment for private sector competition

⁸ The State Secretary and CEO of Enterprise Mongolia would share responsibility for the MoIT objective of leveraging mineral resource wealth to promote broad-based economic growth.

- Institutionalize management systems and practices that transform MoIT into a center of government excellence

The State Secretary would be charged with five critical duties:

1. Oversee policy formation and implementation that:
 - Maintains a stable, competitive environment for business in Mongolia
 - Provides well-researched, analytically-sound trade policy stances
 - Positions MoIT as a leader of government and provide-sector stakeholders in accomplishing Mongolia's economic-oriented national goals
 - Oversees fulfillment of government commitments resulting from trade negotiations
2. Oversee the streamlining of government operations and ensure sufficient policy consistency to reduce the transaction costs of doing business in Mongolia to internationally competitive levels
3. Represent the Ministry on the Trade Consultative Committee
4. Oversee all aspects of the day-to-day operations of the Ministry
5. Fill in for the Minister, Vice-Minister, and Chief Trade Negotiator as necessary

Chief Trade Negotiator

The Chief Trade Negotiator is ultimately responsible for one MoIT objective:

- Negotiate trade policy that enables increased exports

The Chief Trade Negotiator would fulfill responsibilities as outlined in the Office of the Chief Trade Negotiator, described above. He/she would represent Mongolia at all international trade-related negotiations, and would report directly to the Chairperson of the Trade Consultative Committee.

Enterprise Mongolia CEO

Enterprise Mongolia's CEO is ultimately responsible for two MoIT objectives:

- Support enterprise and employment growth
- Facilitate increased investment and value-adding activities

Enterprise Mongolia's CEO would lead all aspects of support to Mongolian priority enterprise sectors and individual private sector organizations. This would include management of cross department linkages, implementation - or competitive sourcing and management - of initiatives to support high-potential export sectors (including SMEs and service providers operating in these sectors), foreign and local investment attraction, export promotion, etc.

He/she would operate under a performance-based contract—responsible to the Board of Directors—that provides clearly defined deliverables and wide management mobility to achieve targeted outcomes. This would include staffing and salary decisions, ability to outsource select services and deliverables, ability to charge for services and build revenue streams, etc. A proven, non-partisan, private-sector leader should be chosen for this position—which requires the skill-sets needed to run successfully a large, multi-faceted private sector entity.

Director, Policy, Enterprise, and Stakeholder Service Center (PESSC)

The Director of PESSC is responsible for facilitating the work of the Policy Pillar and of Enterprise Mongolia. He/She would play a fundamental role in supporting MoIT's objective of institutionalizing management systems and practices that transform MoIT into a center of government excellence. This involves oversight of all PESSC activities and divisions, including: market research, consumer and business affairs, national and intra-ministerial task force coordination, information dissemination, and donor coordination.

SECTION IV: IMPLEMENTATION ACTION PLAN

A. Introduction

This section proposes change management initiatives to structure the ministry as described earlier in this report, and to transform the ministry into a powerful facilitator of private sector led economic growth. Fully effective implementation requires that the restructuring and (re)creation of MoIT's directorates, departments and divisions be accompanied by a thorough understanding of the principles of government best-practices, and a willingness of government officials to embrace new roles, responsibilities, and limitations.

Ultimately, MoIT's transformation would also require a transformation of the approaches and attitudes of other government agencies involved in economic governance, as well as the attitudinal, institutional, and organizational arrangements driving public-private interactions.

MoIT can and should lead this overall economic sector transformation. To do so effectively, it must first transform itself. If the ministry succeeds, it would become a center of government excellence, and would serve as a model for other Mongolian government agencies to follow.

B. Success factors

Perhaps the most critical success factors to the initiatives proposed in this section are the genuine, collective desire of MoIT's leaders and managers to change, a willingness of MoIT leaders and managers to take full ownership of the often uncomfortable change process, and a willingness of MoIT departments and implementation partners to relinquish select activities and functions under their control. We found these critical success factors to be insufficient at the time of this assessment.

This action plan is designed to pave the way for such a transformation. Additional elements critical to success include: (a) political will; (b) multi-stakeholder willingness to embrace new ways of thinking about the role of government and the ministry; (c) full buy-in of ministerial leadership to this strategy or some version thereof; (d) commitment to specific roles, responsibilities, and norms; (e) selectivity and gradualism of reform initiatives; (f) adequate reform resources;⁹ (g) active monitoring and evaluation; (h) strong communications and public relations; and (i) a commitment to full transparency.

C. Implementation steps

This section details a three-phased approach to transforming the MoIT. It is designed to create direction and deep-rooted improvements of MoIT's existing institutions while building momentum for broader sector support. The phases are semi-discrete. Successful implementation of these steps would create an integrated and highly effective governance system that enables diversified, private-sector led economic growth while establishing MoIT's government leadership.

⁹ Such resources may not be available at the onset of implementation. However, as the ministry begins to achieve initial milestones of the reform process, resources would likely become available to support further reform initiatives.

Phase I: Strengthen MoIT's current operations (Policy Pillar)

Step 1: Create a shared vision and approach

The primary objective of this phase is to gain leadership and key stakeholder consensus on a conceptual framework for the ministry's transformation. This process should entail finalizing a vision, mission, objectives, organizational chart, and implementation action plan. The Minister's executive committee¹⁰, with input from the minister's (private sector) policy committee should do this over the course of one or more weekly meetings, using this report as the basis of discussion and modifying it as appropriate to achieve sufficient buy-in.

Objectives

- Formalize a shared vision for MoIT and its economic governance role
- Gain full leadership buy-in/approval for reform objectives, approach

Resources

None

Outputs

- MoIT executive group decision to commit to reforms.

Step 2: Establish MoIT transformation team

During this step, the ministry would nominate individuals to lead the Ministry's internal transformation efforts. The executive group should designate a team of 6-8 individuals at the deputy-director level. These individuals should represent each of MoIT's divisions and implementing agencies. The ministry may wish to also consider including a representative from key ministerial private sector stakeholders, such as the Mongolian Chamber of Commerce and Industry or the Mongolian Employers Federation (MONEF). The first task of this team would be to review the detailed recommendations of this report, and to recommend revisions for the executive committee to consider.

Objectives

- Establish MoIT internal transformation team.

Resources

Transformation team members—chosen from existing ministry employees—would need to commit 25% of their time to ongoing institutional reform initiatives

Outputs

- Re-written job-descriptions of six to eight transformation team members committing 25% of their work time to ongoing institutional reform efforts
- Timeline (produced by institutional transformation team) of reform initiatives and deliverables

¹⁰ The executive committee consists of the director of each of the five MoIT divisions and the directors of MoIT's two implementing agencies.

Step 3. Streamline and strengthen strategic planning framework

MoIT's strategic planning processes and outputs should be based on international best-practices. MoIT's mandate and mission stem from Mongolia's national goals. The objectives of the ministry should cascade down from the national goals and MoIT's mission. Revised ministerial plans should be driven by the ministry's vision of how it will support national goals, and should include pre-determined qualitative and quantitative indicators that are Specific, Measurable, Achievable, Resourced, and Time-bound (SMART) at the directorate, divisional, and individual levels. A simplified monitoring and evaluation system, with clear monitoring tools and methodologies based on relatively easy-to-assess quantifiable indicators, should replace the complicated reports based on intangible indicators that the ministry currently uses. This would bring MoIT's current planning activities to life and significantly increase the value of the planning process.

Objectives

- Streamline and strengthen strategic planning framework.

Resources

The ministry would benefit from an external strategic planning expert experienced at creating well defined, measurable, quantitative and qualitative SMART goals—preferably for public sector institutions.

Output

- Results-based strategic plan with clear lines of responsibility, quantifiable MandE, and realistic expectations, desired outputs, timelines, and resources.

Notes on strategic planning

MoIT clearly has clearly taken part in numerous planning exercises. The government's four-year national plan is supplemented with a 2005 action plan detailing responsibilities of the ministry. Each department has detailed plans which establish activities and, in many cases, objectives. Senior civil servants have signed results-based performance contracts with the State Secretary, who in turn has a contract with the Minister. Monitoring and Evaluation efforts, housed in the administration department, provide regular, lengthy reports on the 20+ programs the ministry is implementing. However, much of the above is viewed (rightly so) by staff as bureaucratic paperwork that provides little in the way of improved individual performance, departmental output, or desired outcomes. This assessment finds that current planning efforts, while comprehensive, are not serving the desired purpose as they do not contain sufficiently quantifiable goals or clear lines of accountability. Additionally, individual outputs are not backed with adequate resources and monitoring and evaluation efforts, lacking quantifiable metrics, are overly vague. Annex F provides a current action plan used by one of MoIT's departments.

Step 4: Carry out institutional diagnostic¹¹

The diagnostic should assess MoIT's current institutional strengths and weaknesses, particularly as they relate to international best practices for governing institutions. Ideally, such a diagnostic would be done in a way to transfer an understanding of modern government principles and best practices to staff participating in the diagnostic.¹² The diagnostic would help the ministry to prioritize reform initiatives. It would improve the institutional performance of the current ministry and prepare ministry personnel for ongoing improvement initiatives. The transformation team of ministry personnel—established in step two—should lead this effort. Step four should be carried out simultaneously with step three.

Objectives

- Identify primary institutional shortcomings, strengths, and resource needs through a government-specific institutional diagnostic.

Resources

The ministry would need a public sector performance institutional diagnostic tool, with qualified external support to carry out the diagnostic.

Outputs

- Comprehensive institutional diagnostic assessing operational effectiveness and pinpointing institutional strengths, weaknesses, opportunities, and resource needs of the ministry.

Step 5: Executive retreat

Depending on the outcome of step one, MoIT leadership may wish to consider a one-day executive retreat at this point. The purpose of this retreat would be to iron out any differences, finalize the vision of what the ministry should become, and collectively commit to a specific plan of action. The ministry should not skip this step unless internal divisions, and overt or covert resistance to change initiatives, are completely non-existent.

Objective

- Leadership buy-in/approval for reform objectives, approach.

Resources

Retreat facilitator

Output

- Full commitment of MoIT leadership to reform goals, approaches, and initiatives.

Step 6: Launch initial initiatives to strengthen systems and improve employee welfare

¹¹ Such a diagnostic would be very different from this current report—with a much greater focus on how the ministry is doing things instead of what the ministry should do and how it should be structured to do it.

¹² Modern government best practice principles include government focusing on becoming more customer (citizen) focused and transparent in its operations, and on delivering quantifiable results.

During this step the ministry should design and implement initiatives to address issues and institutional weaknesses identified in the organizational diagnostic. Initial reform initiatives targeted should capture the ‘low-hanging fruit’ from the institutional assessment—chosen based on ease of implementation, perceived cost-benefit, success-probability, and internal visibility. One or more employee welfare initiatives should be included in initial reform initiatives to create success stories and build internal momentum for wider-reaching reforms.

Objectives

- Launch employee welfare, institutional improvement initiatives
- Gain momentum and employee support for subsequent, more difficult reform initiatives

Resources

Required resources are contingent on prioritized reforms

Outputs

- Two to three employee welfare initiatives
- Three to five high-benefit, low-cost reform initiatives

Step 7: Re-structure ‘informal’ organizational functions

During this step MoIT would begin creating internal groups and systems for those areas that need not await a revised legal mandate. This would include the formation of the Government Streamlining unit, which could be formed initially as an offshoot division of ELIP. Eventual creation as a separate department would create a higher profile entity, illustrating MoIT’s commitment to customer service. It would also include formalizing intra-ministerial task-forces, and ensuring that each has sufficient resources and systems to complete their objectives—without sacrificing core ministerial objectives.

Objectives

- Formalize intra-ministerial task-forces
- Create Government Streamlining department

Resources

A short-term specialist in government task-force management would be beneficial to assist in the establishment of guidelines and clear roles and responsibilities of effective task force management. While such training is particularly relevant for inter-governmental task force initiatives (Phase II, step 4) it would also be beneficial for intra-ministerial task force initiatives.

Outputs

- Establish and launch two to three internal task force initiatives
- A minimum of four individuals within the ministry dedicated exclusively to government streamlining activities

Step 8: Initiate external stakeholder buy-in

A fundamental element of MoIT's proposed new role entails coordinating multiple stakeholders to accomplish economic growth initiatives—with MoIT serving as an enabler, not as a doer. To make this work, the ministry must gain significant stakeholder buy-in. During this step MoIT would start 'selling' the ministry's intentions to an outside audience. This includes gaining buy-in for MoIT's reformed structure and policy-making roles, and a legal mandate to create the Office of Chief Negotiator, the Trade Consultative Committee, Enterprise Mongolia¹³, the Licensing and Registration One-Stop-Shop, and select divisions of PESSC. This step also includes garnering sufficient resources to support the ministry's ambitious transformation—which could come from government or donor sources.¹⁴

Objectives

- Create a clear and consistent message of what MoIT will become
- Effectively deliver this message to key stakeholders
- Gain necessary legal authorizations and sufficient reform support resources

Resources

In this step, MoIT would benefit from public relations and communications support to ensure effective outreach to key stakeholders.

Output

- An abridged public relations/communications strategy, complete with PowerPoint presentations, talking points, brochures, and/or other methods to identify and effectively engage key stakeholders
- An approved legal mandate for the restructuring of MoIT's current departments and the creation of additional MoIT departments/divisions and support bodies
- An approved legal mandate for the Licensing and Registration one-stop-shop, and commitment from other government agencies to outsource all of the processes leading up to actual government approvals
- Sufficient resources to begin reforms, with increased prospect for subsequent reform support resources, i.e., resource commitments linked to pre-determined milestones.

Step 9: Establish new policy institutions and the Licensing and Registration One-Stop-Shop.

The purpose of this step is to create and staff the Consultative Committee and the Office of Chief Trade Negotiator—two institutions most important to strengthening Mongolia's approach to foreign trade policy. It is also to create the Licensing and Registration One-Stop-Shop, a private-sector operated body that would greatly reduce transaction costs of the private sector in dealing with government.

¹³ Creating the legal mandate for Enterprise Mongolia could occur sooner in the process should the ministry wish to launch this institution sooner.

¹⁴ The greater MoIT's initial progress and commitment to internally-driven reforms (as illustrated by effective implementation of steps 1-6), the greater donor interest will be in supporting the subsequent phases outlined in this assessment.

Objectives

- Establish consultative committee
- Create and staff Office of Chief Trade Negotiator
- Competitively bid the creation of the Licensing and Registration one-stop-shop to a private sector operator

Resources

MoIT would benefit greatly from an expatriate trade negotiation specialist to work directly, at least intermittently, with the Mongolian individual chosen as Chief Trade Negotiator. The expatriate consultant would also assist the Trade Policy Positioning department to prioritize and pursue foreign trade policy positions, and the permanent members of the Consultative Committee to understand their roles and the role of the committee. The ministry would also benefit from two long-term, locally hired trade policy advisors, who would work at a senior level in the Trade Policy division and support the ministry through upcoming trade rounds. Also during this stage, the ministry may require contracting and privatization advice to ensure a transparent and fully competitive bidding process—and ultimately best-value--in the creation and initial¹⁵ operation of the Licensing and Registration One-Stop-Shop.

Outputs

- By-laws and operating procedures of the Consultative Committee, including:
- Rules, procedures, and responsibilities for calling committee meetings
- Permanent and topic-based institutional seats
- Committee meeting standard agenda
- Competitively select Mongolia's Chief Trade Negotiator
- Establish and equip offices for the Office of Chief Trade Negotiator at the Prime Ministry and at MoIT.
- Award of the Licensing and Registration One-Stop-Shop to a private sector implementer.

Phase II: Establish the Policy, Enterprise, and Stakeholder Service Center (PESSC)

Step 1: Establish PESSC divisions

At this stage of reforms, PESSC should come into existence. PESSC divisions would need to be staffed with qualified personnel, some of whom may be reassigned from existing MoIT staff.

Objectives

- Create and staff Information Technology division (3 people)

¹⁵ The government may wish to consider awarding a three-year contract initially, to ensure that the management of this one-stop shop has every incentive to maintain efficient and cost-effective operations.

- Create and staff Consumer and Business Affairs division (3 people)
- Create and Staff Market Research division (ITMRC) (6 people)
- Create and staff National and Intra-Ministerial Goals and Donor Coordination division (4 people)

Resources

The ministry could use a Communications and Public-Sector Public-Relations Specialist with strong knowledge management and information technology skills to support the establishment and initial operation of PESSC's divisions. The ministry could also use specialized expertise on economic research and data analysis for trade and enterprise policy formation. This expert would be responsible for training ministry personnel in the Market Research division. The ministry also needs to contract local economists and statistical analysis researchers to fully staff the market research division.

Output

- Four fully staffed and resourced divisions.

Step 2: Establish action plans for each PESSC division

During this step, each PESSC division should develop action plans that align with their respective roles in supporting the ministry and its departments to achieve ministerial objectives. As a service center, PESSC should actively involve its clients in planning efforts—including the ministry's two pillars as well as private sector stakeholders.

Objectives

Plan PESSC services and deliverables.

Resources

In planning for PESSC, MoIT should have sufficient best-practice strategic planning capacity from planning initiatives in phase one. A short-term public relations expert would provide valuable input in PESSC's planning process.

Output

- Action plans with SMART goals to guide PESSC first-year operations.

Step 3: Launch primary PESSC service initiatives

In this step, PESSC would initiate services that help transform MoIT into a customer-service focused organization that serves as a facilitator of multiple stakeholders for private-sector-led, public-sector-facilitated economic growth.

Objectives

- Strengthen customer/stakeholder input on policy decisions impacting businesses
- Establish highly effective, customer oriented communications channels

- Research net-economic impacts of policy decisions and foreign trade issues for negotiation
- Pilot task force initiatives
- Align donor support initiatives with ministerial objectives

Resources

MoIT may wish to subcontract the creation and dissemination of public-relations materials to Mongolian firms. Additionally, a short-term specialist in government task-force management would be beneficial to assist in the establishment of guidelines and clear roles and responsibilities of effective task force management.

Output

- Three to five fully staffed task-force teams with committed representatives from primary stakeholders, an understanding of roles and responsibilities, and specific, time-bound deliverables
- Stakeholder information-groups specific to individual policy areas. This may involve e-mail lists, web-postings on the Open-Government site, and other information media channels to encourage input of the private sector and general public in policy decisions
- Established research agendas for market research group with clear deliverables and timelines linked to foreign trade policy timelines and domestic enterprise policy decisions
- Action plan to ensure that current and future donor initiatives strengthen MoIT's internal capacity to sustainably achieve its objectives and mission

Phase III: Build Enterprise Mongolia (EM)

Step 1: Establish legal mandate

During this step MoIT should establish the legal mandate for Enterprise Mongolia. Core stakeholders, including MoIT's current implementation partner-agencies (FIFTA and MRPA) should be closely involved in this process.

Objectives

- Write EM by-laws.
- Write EM articles of association.

Resources

The Ministry would benefit from assistance in writing by-laws to ensure that Enterprise Mongolia's governance structure is non-partisan and adequately representative. Also, assistance should ensure that the by-laws safeguard the organization's private-sector driven status. If MoIT does not have the legal skills internally, a local law firm may need to be contracted to write and submit these legal documents—with guidance on governance issues.

Output

- Legal structure to govern Enterprise Mongolia

Step 2: Recruit BOD and Contract CEO

During this phase the Minister of Trade would formally nominate inaugural BOD members through selection criteria outlined in Enterprise Mongolia's By-laws. Board members would be briefed on their roles and responsibilities. A concurrent CEO search would identify potential CEO finalist candidates for the BOD, who would make the final decision. At the inaugural BOD meeting, the BOD would select a chair and vice-chair. Subsequent to these decisions, the BOD would interview and hire a CEO from the finalist candidates.

Objectives

- Establish governance system of Enterprise Mongolia
- Select Enterprise Mongolia's CEO

Resources

MoIT could potentially use limited support in identifying desired qualities and vetting CEO candidates. PESSC could support the logistics of initial BOD activities, and the nomination/vetting of finalist candidates for the CEO position.

Outputs

- Established EM governance structure
- Contracted EM CEO
- Performance-based contract for CEO signed by BOD chairperson

Step 3: Establish EM departments, roles and responsibilities

This step represents the initial building of EM's departments and divisions. Leadership of already existing departments (MRPA and FIFTA) should work with EM's CEO to propose how their efforts should best integrate with EM, and which functions should support or move to other EM divisions. New departments should be staffed, with some employees coming from MoIT's policy pillar (i.e. in the SME and Industrial Zone departments), and others being contracted to fill vacant positions.

Objectives

- Establish and staff EM departments
- Identify intra-EM opportunities to integrate operations to support broad-based Mongolian economic growth
- Set departmental objectives

Resources

EM could use the support of a communications and branding specialist to ensure that the Communications department is able to carry out its responsibilities effectively. The communications expert recommended in Phase II, step I, could also provide to support EM's Communications, Branding, and Enterprise Culture department. An organizational

development specialist would be valuable to support EM in identifying possibilities for integration and collaboration both with EM stakeholders and across EM's varying departments.

Outputs

- Fully staffed and equipped EM
- Clear roles and cross-departmental relationships of EM operating units
- Action plans with clear deliverables for EM's departments

Step 4: Select initial export competitiveness sectors

In this step the BOD will work with the CEO and department heads of MRPA, FIFTA, and SME to select initial priority sectors for sector-specific support.

Objectives

- Select sectors and/or clusters for primary EM support

Resources

PESSC's market research team, depending on initial priorities, may be able to provide market research to assist in the selection of competitive export sectors. If not, EM would benefit from short-term technical expertise to prioritize high potential export sectors.¹⁶

Output

- Final decisions on competitive export sectors/clusters to receive EM support

Step 5: Establish and staff competitive export sector divisions

During this step, EM would create and staff three to five initial competitive export sectors. This would include prioritizing activities and objectives of these divisions.

Objectives

- Staff and resource competitive export sector support divisions
- Create clear goals, objectives, and support mechanisms/activities for each of these divisions

Resources

Competitiveness specialists could support EM to choose priority sectors to ensure that decisions are based largely on economic potential. Once sectors are chosen, sector specialists would benefit EM greatly in building sector-specific support mechanisms.

Outputs

- Three to five staffed and resourced competitive export sector support divisions
- Clear action plans with support initiatives for each sector

Step 6: Integrate EM divisional action plans, utilize PESSC resources.

During this step, EM divisions would work together—and with PESSC—to ensure systems

¹⁶ As this is a relatively common development intervention, it is possible that such studies already exist and are sufficiently current.

and shared resources for maximum collaboration, coordination, and benefit. This would include identifying areas of opportunity, establishing means for effective collaboration, and ensuring that EM divisions work together to most effectively achieve the following MoIT's objectives:

- Support Mongolian enterprise and employment growth.
- Leverage mineral resource wealth to promote broad-based economic growth.
- Facilitate ever – increasing investment and value-added.

Objective

- Maximize EM's ability to support the above MoIT strategic objectives.

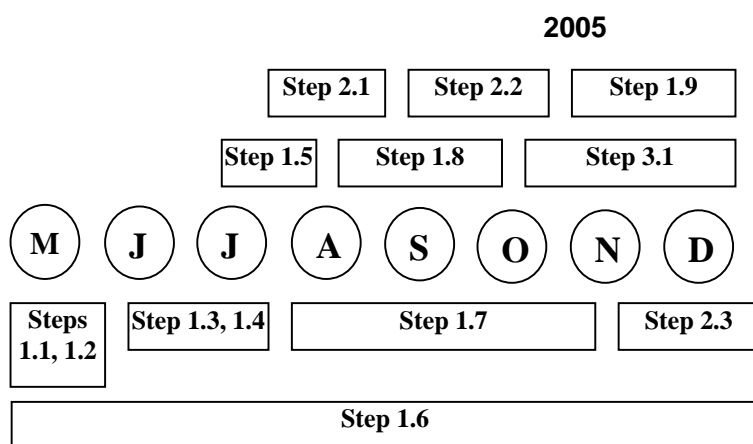
Resources

EM would benefit from the services of an external strategic planning facilitator, as well as services to carry out an EM-wide (possibly including select PESSC staff) team-building retreat.

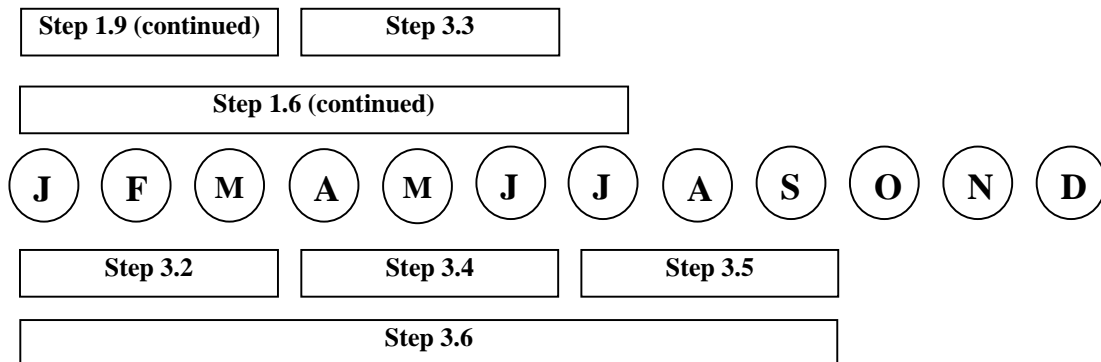
Output

- Results-based strategic plan with clear lines of responsibility, tangible and manageable MandE, and realistic outputs and timelines.

D. Implementation Timeline

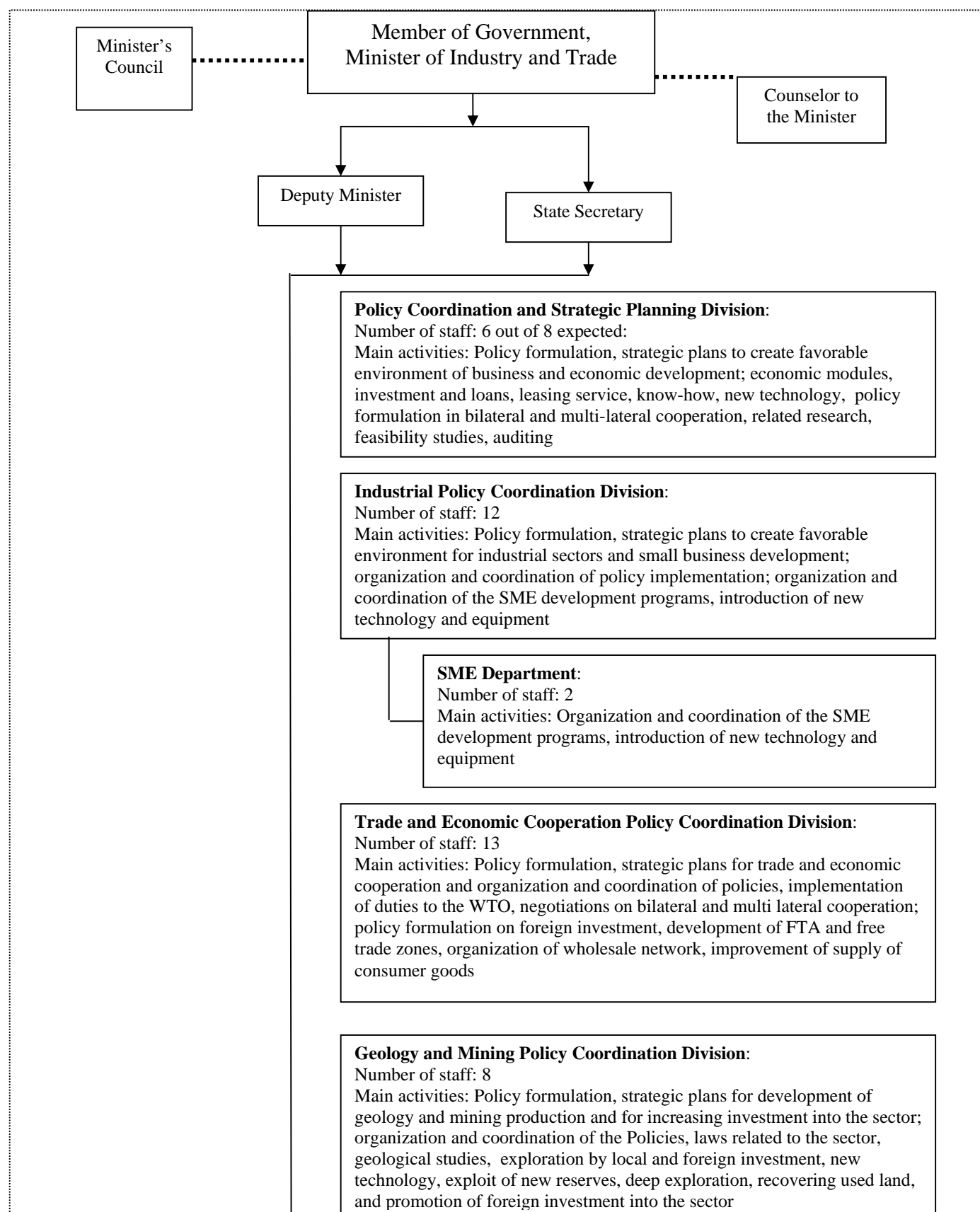


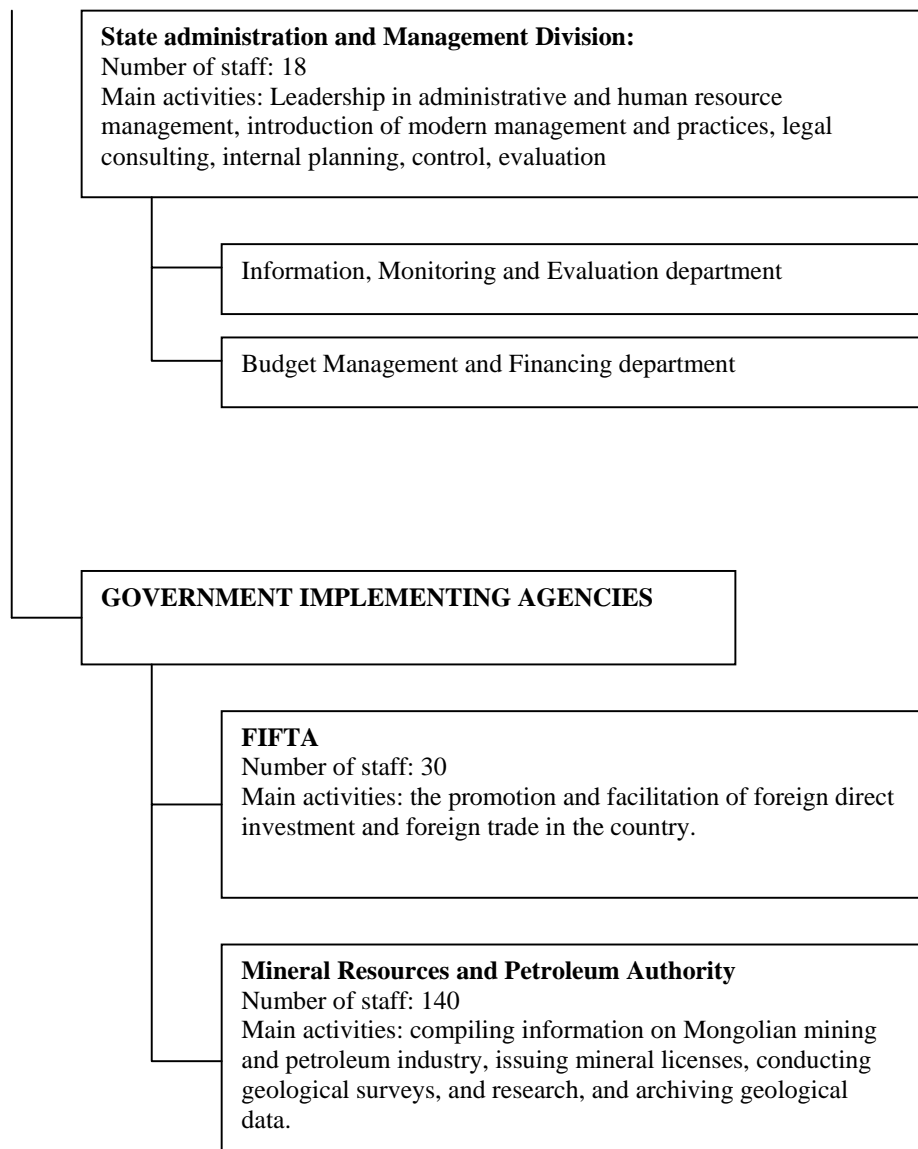
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ANNEX A: CURRENT MoIT ORGANIZATIONAL STRUCTURE AND FUNCTIONS

ANNEX A: CURRENT MoIT ORGANIZATIONAL STRUCTURE AND FUNCTIONS





ANNEX B: MEETING LIST

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Name	Title
I. Amarzaya	Officer, State Administration Department
A. Tamir	Deputy Director, Industry Policy and Coordination Department
T. Enhtuvshin	Deputy Minister
T. Dorjbal	Advisor to Minister
D. Zorigt	Director, Policy and Planning Department
A. Erdenepurev	Deputy, Director Policy and Planning Department
O. Zendsuren	Deputy Director, Geology and Mining Policy and Coordination Department
B. Bold	Deputy Coordinator, Administrative Department
S. Bayarbat	Policy Coordination and Strategic Planning Department
O. Tsendsuren	Deputy Director, Policy and Coordination Department for Geology and Minerals
B. Bolormaa	Trade and Economic Cooperation Policy Coordination Department
B. Bayarsaikhan	Policy and Planning Department
D. Jargalsaikhan	Vice Chairman, Mineral Resources and Petroleum Authority of Mongolia
B Ganbaatar	Director, Administration Management Department
Dr. Albert Gierend	Economist, MoIT Mongolia GTZ Project
L. Hulan	MoIT Mongolia GTZ Project
B. Ganzorig	Chairman, FIFTA
N. Ishdorj	Senior Officer, Trade and Economic Cooperation Policy Coordination Department
B. Bat-Ochir	Senior Officer, MoIT
B. Bayarsaikhan	Director, Information, Monitoring and Evaluation Department
D. Surenkhor	MoIT State Secretary
V. Enkhbold	Director, Trade and Economic Cooperation Policy Coordination Department
P. Narangua	Deputy Director, Trade and Economic Cooperation Policy Coordination Department
D. Badamdash	Program Officer, The Asia Foundation
Layton Croft	Mongolia Representative, The Asia Foundation
Fernando Bertoli	Chief of Party, EPRC Project
A. Erdenepurev	Deputy Director, Policy Coordination and Strategic Planning Department
Ian Leach	Team Leader, Europaid Project: Establishment of a Collection and Distribution Network
D. Badarch	Director, Department of Industrial Policy and Coordination
I. Serod	International Trade and Cooperation Department, Mongolian National Chamber of Commerce and Industry
B. Khash-Erdene	Head, Policy Planning and Coordination Department, Mongolian National Chamber of Commerce and Industry

ANNEX C: INTERNATIONAL APPROACHES TO TRADE POLICY

ANNEX C: INTERNATIONAL APPROACHES TO TRADE POLICY

When we examine how governments manage trade policy at present all over the world, we can find four different organizational models, which in each case link foreign trade policy to other key areas of government policy. A first model, perhaps the most traditional one, concentrates foreign relations and international trade in a single ministerial department, exploiting the diplomatic experience and the international networks of diplomats. A second model, which brings together policies for the productive sectors (agriculture, industry...) and foreign trade, links the producers' exporting needs with the instruments for commercializing their products abroad. The third model integrates trade policy with home and foreign economic policy, giving priority to the coherence of the whole macroeconomic policy of the country. Lastly, a fourth organizational model keeps foreign trade policy isolated from the other ministries and then makes great efforts to coordinate the different positions existing in the government.

Advantages and disadvantages of foreign trade policy organizational models.

	Advantages	Disadvantages
Foreign relations Model	<ul style="list-style-type: none">○ Coherence of foreign policies (a single intermediary).○ Overseas foreign relations networks.○ Less risk of hijacking by private players.○ Traditional institutional logic.	<ul style="list-style-type: none">○ Diversity of objectives.○ Predominance of political motivations.○ Low involvement of presidency in foreign trade.
Industry Model	<ul style="list-style-type: none">○ Coherence of industry and foreign trade policies.○ Maintenance of traditional institutional logic	<ul style="list-style-type: none">○ Diversity of objectives (not giving priority to foreign trade).○ Foreign trade and foreign relations duality.○ Higher risk of hijacking by private players.○ Low involvement of presidency in foreign trade.
Economy Model	<ul style="list-style-type: none">○ Coherence of internal economic and foreign trade policy.○ Maintenance of traditional institutional logic.	<ul style="list-style-type: none">○ Diversity of objectives (not giving priority to foreign trade).○ Foreign trade and foreign relations duality.○ Low involvement of presidency in foreign trade.
Isolated Model	<ul style="list-style-type: none">○ Exclusivity of trade policy (autonomy).○ Involvement of presidency in foreign trade.○ Less risk of hijacking by private players.	<ul style="list-style-type: none">○ Effort expended on coordination.○ Possible disconnection of foreign trade from country's long term development policies.○ Possible institutional weakness of foreign trade.○ Ministerial struggles.

ANNEX D: MoIT (NATIONAL LEVEL) COMMITMENTS

ANNEX D: MoIT (NATIONAL LEVEL) COMMITMENTS

Goals	Implementation plans	Timing	Person responsible
One. Public administration and civil participation			
Updating legal documents and standard requirements aimed at human right, liberty and security	Make policy and decision making processes transparent and make decisions in favor of parties and citizens, whose interests and rights are violated, based on comments from them	This year	Cabinet Members
	Establish levels for public service and make execution and implementation activities more transparent to citizens, organizations and businesses	This year	Cabinet Members
	Make the public organizations goals, actions and requirements transparent to the public	This year	Cabinet Members
	Implement policies in all social sectors to provide human right, liberty and security and to ratify them	This year	Cabinet Members
	Implement mid-term strategy for public administration reform of Mongolia and implement the objectives to improve general managerial capacity with direct relation with practicing new requirements of standards for all sectors	This year	Cabinet Members
	Continue upgrading and re-training to improve skills and expertise of public officers	This year	Cabinet Members
	Prepare actions to provide service on taxation, customs, tender, requisite registration, licenses and movement (people's) through networking	This year	S. Batbold Minister of Finance Minister of Justice
	Reduce paper consumption in public organizations by shifting into electronic system	This year	Cabinet Members
	Increase salaries and improve duties and responsibilities of public officers through enhancing the capacity of public organizations	This year	Cabinet Members

Two. Social Policy			
	Support ordered business researches and expand surveys and researches on discovering new markets and developing existing markets –Task Force 1	This year	S. Batbold Minister of Education Deputy Prime Minister
Three. Economic policy			
Provide macro economic sustainability	Improve efficiency of loan and aid and take measures to improve	This year	S. Batbold Minister of Finance
	Launch development of economic modeling	This year	S. Batbold
Promote production, mining, agriculture and service sectors and increase export	Continue and expand the policies on establish of economic and free trade zones	This year	S. Batbold Deputy Prime Minister
	Set up a system to provide active participation of professional associations to develop policies on production, service and investment promotion	This year	S. Batbold
	Prepare to establish production and technology parks in some provinces and towns	This year	S. Batbold
	Promote export-oriented and intellectual-driven production	This year	S. Batbold
	Practice a policy to supply the government-ordered goods and products with domestic production Task Force 2	This year	S. Batbold Minister of Finance
	Improve the structure to promote cooperatives engaged in production, trade and service sectors in rural areas	This year	S. Batbold
	Establish and develop systems to issue micro loans in rural areas—Task Force 3	This year	S. Batbold Minister of Food and Agriculture Ts. Bayarsaikhan
	Expand micro loan service, sell and lease production equipment, agricultural machineries under long-term loans with low interest designed to support small and medium enterprises, crop sector and farming—Task Force 4	This year	S. Batbold Minister of Food and Agriculture
	Organize a movement on “One settlement – one product”, develop high quality and competitive new products and provide both domestic and foreign markets-- Task Force 5	This year	S. Batbold Minister of Food and Agriculture
	Continue general exploration on geological mapping, geophysics survey and mineral resources	This year	S. Batbold

	Support to launch Tomort Ovoo zinc, Tavat gold mine, Tomort metal ore and Erdenet molybdenum processing plants as well as other major mineral deposits	This year	S. Batbold
	Intensify explorations, searches and mining of petroleum products	This year	S. Batbold
	Develop proposals on petroleum product supply and take relevant measures	This year	S. Batbold
	Conduct researches on in-depth coal processing and implement a program Task Force 6	This year	S. Batbold Minister of Fuel and Energy
	Take extensive measures on using liquid and natural gases in household, production and transportation Task Force 7		S. Batbold Minister of Fuel and Energy
	Provide consistency to improve life quality of local people when using mineral deposits	This year	S. Batbold
	Continue geological mapping and exploration conducted with domestic and foreign capital and effort Task Force 8		S. Batbold Minister of Environment
Create reliable environment to promote foreign investment	Implement policies to promote foreign and domestic direct investment Task Force 9	This year	S. Batbold Minister of Finance
	Implement policies to increase domestic production and service and foreign and domestic investment Task Force 10	This year	S. Batbold Minister of Finance
	Promote private direct investment in infrastructure sectors Task Force 11	This year	S. Batbold Minister of Fuel and Energy Minister of Tourism, Roads and Transportation N. Batbayar
	Increase the foreign investment volume in 2005 than in 2004 Task Force 12	This year	S. Batbold Minister of Finance
Rapidly develop infrastructure sectors influential to economic growth	Launch research on building double/dual railroads and computerize railroads Task Force 13	This year	S. Batbold Minister of Tourism, Road and Transportation Minister of Fuel and Energy

ANNEX E: EXISTING MoIT OBJECTIVES (ASSIGNED BY FUNCTIONS)

ANNEX E: EXISTING MoIT OBJECTIVES (ASSIGNED BY FUNCTIONS)

Key:

(EM): Business Support Function (This belongs primarily in Enterprise Mongolia)

(P): Policy Function (This function belongs primarily in the Policy Pillar)

(O): Operations (This function is primarily operational)

1. To intensify the promotion of the small, medium businesses and enterprises and to make a substantial increase in employment and a reduction of poverty.
 - a. Creation of medium term policy to support small medium businesses and enterprises **(P)**
 - b. Systematic development of technology, information and training **(EM)**
 - c. Financial support **(EM)**
2. To stop static situation of value added production industry and to recover it, and to increase investment in 2005 compared to the 2004 level **(EM)**
 - a. Creation of medium term Policy **(P)**
 - b. Reduction of tax pressure **(P)**
 - c. Support of particular industries: textile, forest, gold, coal mining etc. **(EM)**
 - d. Promotion of fair competition **(P)**
 - e. Promotion of technological renovation and training **(EM)**
 - f. Reduction of interest rates and improvement of financial sector **(P)**
3. To reduce bureaucracy and constraints that prevent business and enterprises smooth running
 - a. Creation of discussion system with private sector representatives **(P)/ (EM)**
 - b. Transparency and simplification of licensing procedures **(P)/(EM)**
4. To initiate negotiations of penetrating into markets of major trade partners with more facilitations
 - a. Continue of negotiations with major trade partners, policy formulation on trade facilities from international organizations **(P)**
 - b. Continue of negotiations with neighbor countries on penetration of Mongolian products under specific facilities **(P)**
 - c. Commencement of negotiations on free trade agreement with major trading partners **(P)**
 - d. Expansion of cooperation with other Asian countries **(P)**
 - e. Expansion of cooperation with European countries **(P)**
5. To formulate policy on trade liberalization and to get special trade facilitations on international and regional scope
 - a. Cooperation with the WTO to get special trade facilitations given that the country is land locked and (less developing country) **(P)**
 - b. Study on joining in regional organizations **(P)**

6. To make qualitative progress in the foreign investment and export promotion areas **(BS)**
 - a. At policy level **(P)**
 - b. Development of free trade and economic zones, and production/technological park **(BS)**
 - c. Promotion of export products **(EM)**
7. To increase efficiency of loans and aid expenditure and to improve controls **(EM) / (P)**
8. To increase contribution of geology and mining industry in GDP
 - a. Long term Policy formulation **(P)**
 - b. Improvement/simplification of regulations related to geology and mining licenses **(EM) / (P)**
 - c. Policy formulation of improved management of natural resources **(P)**
 - d. Increase of geology and mining industry's contribution in GDP **(EM)**
9. To introduce and conduct modern management system in the MoIT management structure **(O)**
 - a. Get approved organization and structure of the MoIT **(O)**
 - b. Policy formulation on related fields (within the MoIT activities) and control on implementation **(O)**
 - c. Human recourse development **(O)**
 - d. Internal activities **(O)**
 - e. Public relations **(O)**
10. To build local skills in the area of market research **(EM)**
 - a. To establish of International Market and Trade Research Center **(EM)**

ANNEX F: SAMPLE MoIT ACTION PLAN

ANNEX F: SAMPLE MoIT ACTION PLAN

	Sub objectives						
Objectives	Sub objectives	Actions	Division Responsible	Quarters 2005			
				1	2	3	4
1. To intensify the promotion of the small, medium businesses and enterprises and to make a substantial increase in employment and a reduction of poverty	1.1. Creation of medium term policy to support small medium businesses and enterprises	1.1.1. Submission of “SME support program” for approval	Industrial, Policy Coor	+	+	+	+
	1.3. Financial support	1.3.1. Draft of the Law on Leasing	Industrial	+	+	+	+
2. To stop static situation of value added production industry and to recover it, and to increase investment in 2005 compared to the 2004 level	2.1. Creation of medium term policy	2.1.1. Preparing Industrial Development Strategy	Policy Coor, Industrial, Geo	+	+	+	
		2.1.7. Update or renew key priorities of investment sectors	Industrial, Trade and Eco	+	+		
	2.2. Reduction of tax pressure	2.2.1. Draft of amendment on taxation law	Industrial	+	+	+	+
		2.2.2. Draft of amendments on social insurance law	Industrial	+	+	+	+
		2.2.3. Draft of amendments on law of customs tariff	Industrial	+	+	+	+
	2.3. Support of particular industries: textile, forest, gold, coal mining etc	2.3.1. Submit proposal on resetting the customs tariff on imported goods considering the similar products produced locally	Trade and Eco, YБЗГ		+	+	
	2.4. Promotion of fair competition	2.4.1. Draft of the Law on Security measures	Trade and Eco		+	+	
		2.4.3. Draft of the Law on Raw materials processing	Trade and Eco, YБЗГ		+	+	+
		2.4.4. Draft of the Law on Subsidies and reimbursement	Trade and Eco		+	+	

	2.5. Promotion of technological renovation and training	2.5.2. Draft of amendment in the Law "Technology transferring"	Industrial	+	+	+	+
	2.6. Reduction of interest rates and improvement of financial sector	2.6.1. Study on project " Japanese Two step loan"	Industrial		+		
4. To initiate negotiations of penetrating into markets of major trade partners with more facilitations	4.1. Continue negotiations with major trade partners, policy formulation on trade facilities from international organizations	4.1.2. Medium term program on trade and economic cooperation with neighbors	Trade and Eco	+	+		
		4.1.6 Submit a proposal to have more facilities/preferences with regard to the EU makes amendment in its preferential system	Trade and Eco			+	
	4.2. Continue negotiations with neighbor countries on penetration of Mongolian products under preferential system	4.2.1. Participate in the meeting of the Commission of Mongolian and Russian governments	Trade and Eco	+			
		4.2.7. Participate in the 9th meeting of the Commission of Mongolian and Chinese governments	Trade and Eco		+		
		4.2.8. Organize the 6th meeting of the Working group of the MoIT and the Government of the Inner Mongolia, China	Trade and Eco		+		
5. To formulate policy on trade liberalization and to get special trade facilitations on international and regional scope	5.1. Cooperation with the WTO to get special trade facilitations given that the country is land locked and qualifies as less developed country	5.1.1. Active participation in the WTO discussion with regard to preferential system for land locked countries	Trade and Eco	+	+	+	+

		5.1.4. Participation in the meeting to revise the Mongolian Trade Policy by the WTO	Trade and Eco	+			
		5.1.5. Participation in the 6th meeting of the Ministers of the WTO	Trade and Eco				+
6. To make qualitative progress in the foreign investment and export promotion areas	6.2. Development of free trade and economic zones, and production/technological park	6.2.2. Formulation of the Gobi Regional Development Initiative and approval by the Government and Parliament	Policy Coord, Geo	+	+	+	+
		6.2.6. Establishment of production and technological park in 3 cities	Industrial	+	+	+	+
	6.3. Promotion of export products	6.3.1 Participation in the Expo-2005 in Japan	Trade and Eco	+	+	+	
8. To Increase a contribution of geology and mining industry in GDP	8.1. Long term Policy formulation	8.1.1. Proposal on Complex Mining with regard to mineral locations	Geo	+	+	+	+
		8.1.2. Complete and coordinate implementation of geology mapping and exploration covering 80 km.sq area	Geo	+	+	+	+
		8.1.3. Continue on Geological mapping and exploration of 7.4 km ² and start of mapping in 10 areas	Geo	+	+	+	+
		8.1.6. Draft of the Law on "Oil" and submit to the Government	Geo	+	+		
	8.2. Improvement/simplification of regulations related to geology and mining licenses	8.2.1. Study on bidding system on exploiting the reserves explored by the state budget	Policy Coord, Geo	+	+	+	+
	8.3. Policy formulation of improved management of natural resources	8.3.1. Negotiation with the Ministry of Nature on exploration in the restricted areas	Geo	+	+	+	+
		8.3.9. Establishment of Fund for Rehabilitation of used areas	Geo	+	+	+	+
	8.4. Increase of geology and mining industry's contribution in social economic development of the country	8.4.2. Amendment in the Minerals Law to centralize a certain amount of the charge for exploiting reserves into a Budget of related region.	Geo	+	+	+	+
		8.4.3. Draft of Law on "Illegal mining" and approval by the Parliament	Geo	+	+	+	+

ANNEX G: SCOPE OF WORK

ANNEX G: SCOPE OF WORK



Economic Policy Reform and Competitiveness Project



Draft date: 24-Jan-05

TERMS OF REFERENCE FOR SHORT-TERM CONSULTANCY TO ASSIST MONGOLIA'S MINISTRY OF INDUSTRY AND TRADE WITH ITS ORGANIZATIONAL AND FUNCTIONAL ASSESSMENT

Background and justification for the assignment

Under the new administration, the Government of Mongolia (GoM) has been involved in a reorganization of its ministries and has requested EPRC to assist the Ministry of Industry and Trade (MoIT) in its current efforts to review its institutional mission and functional organization. The intent of this review is to improve the effectiveness and efficiency of its functions, streamline management and administration, and refocus MoIT's activities in core areas of competency.

MoIT has initiated its organizational, functional and core processes review and requires a short-term organizational design expert to work with the ministerial group currently conducting the review. The expert is expected undertake a functional review, prepare an organizational assessment, and recommendations to be submitted for the Minister's consideration.

Purpose and objectives of the consultancy

The purpose of the short-term consultancy is to assist the Ministry with the development of an action plan to enhance its organizational and functional effectiveness in line with best current practices. Specific objectives of the consultancy include, *inter alia*, the following:

1. Assistance with the review of its overall institutional mission, functional organization, and core processes
2. Identification of core functions that the Ministry must preserve, those that it needs to develop and those that it could discontinue or transfer to other institutions
3. Assistance with the definition of its mission relative to trade and trade negotiations; promotion and regulation of domestic business, especially SMEs
4. A framework for annual management and operational plans and an indicative plan for the first year.

Indicative activities of the consultancy

Indicative activities of the consultancy include, but are not limited to, the following:

1. Inception meetings with Minister, and functionaries at the Ministry to refine the scope of the assignment, establish priorities, and schedules
2. Inception meetings with EPRC project staff and USAID
3. Working closely with the Department of Policy Coordination and Strategic Planning and Department of Administration, document the current organizational structure, functions and core processes of the Ministry
4. Based on these findings and using explicit design criteria, develop alternative organizational and functional model proposals and recommendations
5. Present findings recommendations to the heads of Departments and reach agreement on proposals and recommendations to be made to the Minister
6. Elaborate framework for annual management and operational plans and an indicative first year plan, indicating annual operational targets, schedules, responsibilities, and progress benchmarks
7. Presentations of major findings and recommendations to USAID and EPRC.
8. Perform other tasks as required, consistent with the purpose and objectives of the assignment and

professional skills of the consultant.

Deliverables

The expected product of the consultancy shall be a management and operational first year plan for MoIT to implement recommendations concerning its organizational structure, functions and core processes. Such management and operational plan will include at least the following:

1. Definition of the overall mission of the Ministry and of its main organizational units
2. A blueprint for the organizational and management structure of the Ministry, with specific objectives and core processes defined for each unit
3. Terms of reference detailing the functional responsibilities of key personnel in each main unit
4. A framework for annual operational and management plans and an indicative first year plan for the main units of the Ministry specifying objectives, targets, responsibilities, and benchmarks; the intent is that these annual management and operational plans will be used to prepare annual budgets for the Ministry

The deliverable shall be in printed and electronic form and in a format acceptable to MoIT and EPRC: Microsoft Office applications software for electronic versions and EPRC/Chemonics report format for the printed versions. EPRC will supply in-country translation, interpretation services, and transportation logistics for the assignment.

Duration and schedule of the assignment (LOE)

Expected duration of the consultancy in Ulaanbaatar, Mongolia is not to exceed 30 work days, excluding international travel. It is anticipated that the assignment will begin on or about 14 February 2005.

Place(s) of work

The assignment will take place in Ulaanbaatar, Mongolia. Travel outside of Ulaanbaatar may be required but it is not expected.

Supervision and coordination of assignment

The consultant will work with the Ministry, coordinated by Mr Zorigt. EPRC's Chief of Party, Fernando Bertoli will provide technical supervision for the assignment.

Technical area of expertise and experience requirements for the consultancy

The consultant will have Technical areas of expertise and experience requirements for the position are as follows:

- At least ten years of demonstrable successful experience in advising and assisting trade and industry ministries in developing economies with organizational design and analysis
- Ability and demonstrated professional competence in organizational change management
- Experience and successful track record in management positions of entities responsible for trade promotion, domestic trade regulation, and services to businesses are highly desirable
- Results-oriented, ability to think strategically, provide vision and leadership, lay out and execute plans, and manage and motivate others to work together towards achievement of clearly stated goals and objectives
- Excellent written and verbal communications skills, ability to summarize and convey key points and messages in a succinct way to clients and counterparts
- Adaptability to work in different country environments and ability to work with multi-national staff are also required.

Budget CLIN

The cost of the assignment falls under CLIN 001 – Policy analysis, formulation and implementation.